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Stock markets end October on a high note. *Page D1*

FINANCIAL POST

C1 WEDNESDAY, NOVEMBER 1, 2000

THE MARKETS

TSE 300	NASDAQ
+386.51	+178.23
9639.57	3369.63

DOW JONES	+135.37	10971.14
S&P 500	+30.74	1429.40
S&P/TSE 60	+24.39	569.28
CDNX	+15.65	3254.73
LONDON	+50.0	6438.4
TOKYO	+75.04	14539.60
HONG KONG	+95.44	14895.34
EURO	+0.80¢	US84.92¢
CANADIAN $	+0.36¢	US65.68¢
30-YR. BOND	-0.50	5.67%
OIL	-$0.11	US$32.70
GOLD	+$0.60	US$264.90

TODAY'S BUSINESS

NEWS

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Confidence shaken Consumer confidence in the United States plunged in October. **Page C3**

Fibre link Alcatel and 360networks are teaming up to build a fibre-optic network linking North America with Japan. **Page C4**

Bring it on Bonham & Co.'s Mark Bonham, accused of manipulating stock prices, welcomes a full OSC review. **Page C6**

Itemus purchase Itemus Inc. plans to buy Shooting Gallery in stock deal. **Page C7**

Turned corner TCPL figures its "firing on all cylinders," given its third-quarter results. **Page C11**

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Louise Kehoe Online auction sites are more vulnerable to Internet competition than might first appear. **Page C8**

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Nortel partnership Nortel Networks is building a wireless centre in partnership with Infosys Technologies of India. **Page C14**

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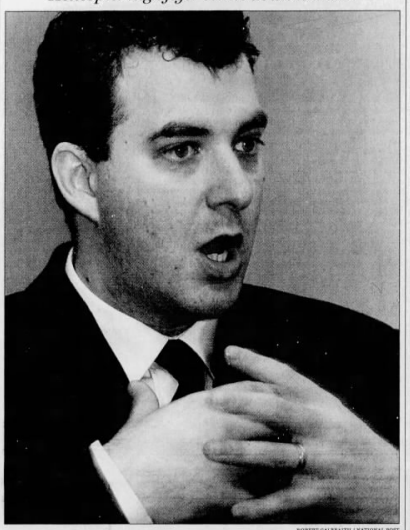
OSC TAKES AIM AT ANALYSTS

Helicopter high flyer comes down to Earth



ROBERT GALBRAITH / NATIONAL POST

Benoit Laliberté of Jitec: "If there is something to do, I will create the parade and I will be in the first car."

SELECTIVE DISCLOSURE CRACKDOWN

IDA members selling inflated stocks also in regulator's firing line

BY GARRY MARR

The Ontario Securities Commission vowed yesterday to continue its crackdown on fraud and illegal trading in the stock market, saying it will be looking at how financial analysts operate and whether they have profited from private conversations with companies.

The OSC plans to take a tough approach to those conversations as part of its efforts to eliminate the practice of selective disclosure.

"The role [analysts] play in the market means they may not behave however they please. It is my view securities firms that employ them have an obligation to make sure those analysts act in the public interest," said Brian Butler, manager of the OSC's investigation team, at the regulator's annual conference yesterday.

Officials with the country's senior securities regulator also said members of the Investment Dealers Association of Canada are its next target.

The OSC said it will be looking for cases where member firms have sold stock to clients at inflated prices.

Joe Oliver, chief executive of the IDA, which is a self-regulating body, said market manipulation is not something that falls under his group's jurisdiction.

"It's not something we're trying to avoid but it's not something we've been looking for," said Mr. Oliver.

As if to punctuate its get-tough approach, the OSC said yesterday it is not willing to settle for the one-year jail sentence it secured against Glen Harper, the former chief executive of Golden Rule Resources Ltd. convicted of insider trading. Michael Watson, the OSC's head of enforcement, said the regulator has decided to appeal the fact the judge in the case made Mr. Harper's two, one-year sentences concurrent. The OSC wants them to run consecutively, meaning two years in jail.

The appeal comes on the heels of a Monday court ruling that the OSC had secured its longest jail sentence ever under the Ontario Securities Act. Warren Wall and his wife, Joan, were given 30 months and 22 months respectively for taking $2.3-million in an illegal investment scheme.

David Brown, the chairman of the OSC, kicked off the conference with a speech in which he keyed in on how important the integrity of the capital markets is to attracting foreign capital.

"Ultimately, the ability to attract capital to Canada depends a great deal on how Canadian markets are perceived – both at home and abroad," said Mr. Brown, adding some high-profile failures of public companies have created a bad impression among some foreign investors.

Mr. Brown would not comment on some of the more high-profile instances of what some market watchers have suggested were examples of selective disclosures. This month Air Canada made select calls to several analysts leading to downgrades on the company's stock. In June, investors complained to the OSC after BCE Inc. revealed to analysts it might lower its offer price for Montreal's Teleglobe Inc. The move triggered a 5% drop in Teleglobe's share price.

See OSC on Page C11

Investors' share rise sparks speculation

FUND CONSOLIDATION

BY THOMAS HIRSCHMANN

The strong upward movement in the share price of Canada's largest mutual fund company, **Investors Group Inc.**, spurred speculation yesterday about further consolidation in the industry.

The stock climbed to a 52-week intraday high of $24 in Toronto yesterday in heavy trading volume. It closed up $1.30, or 6%, at $23.30. The Winnipeg-based company's stock has climbed 24% since Oct. 18, with volume picking up by a third in the past five trading sessions.

A number of rumours were circulating inside the industry that the mutual fund company, majority owned by Paul Desmarais' **Power Corp. of Canada**, is in negotiations regarding a possible sale or acquisition. **Great-West Lifeco Inc.**, also owned by Power and rumoured to be included in the structure of a deal, also rose 6%.

"There have been a lot more limousines driving around Winnipeg lately," said one industry insider, adding that he believes the company to be in discussions.

See INVESTORS on Page C12

Jitec CEO meets the short sellers

MONTREAL TECH COMPANY

BY KATHRYN LEGER AND SEAN SILCOFF

MONTREAL • Benoit Laliberté, chief executive of high-flying **Jitec Inc.**, easily exhibits the bravado of a multi-millionaire entrepreneur who made it big in computer system sales after starting his own business in his bedroom at the age of 14.

"I'm the kind of person that when I see an opportunity, I don't move in after the parade has already started and be in the last car," boasts Mr. Laliberté, now 28 and the owner of a 62% controlling stake in Jitec worth more than $110-million.

"If there is something to do, I will create the parade and I will be in the first car," he says, calling Jitec a "leading-edge company in the field of server-based computer technology."

But the business and computer technology savvy that have obviously served the self-taught Mr. Laliberté well over the past 14 years do not appear to have prepared him for the rigours of status as a public company – or the rocky world of stock short selling.

In the past three months, Mr. Laliberté has seen the value of his Jitec stake swing from a low of $74-million to a high of $454-million.

His own credibility as a chief executive has come under attack amid reports of his obsession with the stock market value of the company, personal trading in company stock, and his penchant for travelling by helicopter.

"The company is very well managed and some of the biggest companies in the world – some of the best – make mistakes," says Mr. Laliberté in an interview.

See JITEC on Page C12

CanWest asks for sale extension

Monday is CRTC deadline to sell Vancouver CKVU

BY SINCLAIR STEWART

CanWest Global Communications Corp., which is required to sell its CKVU television station in Vancouver by next Monday, has asked the Canadian Radio-television and Telecommunications Commission to extend the deadline to the end of May because of trouble finding a buyer.

In a letter sent to the regulator, CanWest said it needed an extension from next week's deadline in light of a recent government decision, which asked the CRTC to prepare a report on how it could establish a multicultural television licence Vancouver.

The possibility of another licence becoming available in the highly prized Vancouver market – something that was rejected by the CRTC only four months ago – has complicated the sale process and distracted potential buyers, explained Gerry Noble, president and chief executive of Global Communications Ltd.

Rival broadcasters like **CHUM Ltd.** and **Craig Broadcasting Systems Inc.**, along with a handful of local media companies, are said to be frontrunners in the race to acquire the station.

CHUM Ltd. has already held discussions with CanWest about CKVU, and is said to be offering its Star! specialty channel plus a cash payment in exchange for the station – a combination that, according to one source close to the talks, totals less than the estimated $150-million CanWest is said to be asking.

See CANWEST on Page C10

CHUM looks west

MATTHEW FRASER

If you know the Ten Commandments, you will recall Moses' famous fourth tenet: "As worldwide television expands, the demand for local programming increases."

That's Moses Znaimer, of course – the Moses of Media Mountain. In the past 20 years, Mr. Znaimer's savvy assertions about television have largely been proven right. He was one of the first media gurus to understand that globalization and localism are not incompatible. And the CHUM Television empire, including Toronto station Citytv and pop-video channel MuchMusic, has profited nicely from Mr. Znaimer's street-smart, ultra-hip vision about niche television's inherent dynamic.

While CHUM franchises its MuchMusic formula around the world and builds an impressive stable of specialty channels at home, the company has become one of the most coveted media assets in Canada. It wasn't always so. In the early 1980s when Mr. Znaimer was seeking regulatory permission to launch MuchMusic, Canada's mainstream broadcasters were openly hostile to niche television because it threatened to erode their market share.

See FRASER on Page C10

Gates spends half-billion on CN stock

'PASSIVE INVESTMENT'

Microsoft mogul now one of largest individual owners

BY PETER FITZPATRICK

Perhaps bored with semi-conductors, Bill Gates is moving on to train conductors.

The Microsoft Corp. mogul has purchased a 5.15% stake in **Canadian National Railway Co.** worth nearly $500-million. The acquisition makes Mr. Gates one of the largest individual owners of the Montreal-based railway's stock.

According to documents filed with U.S. securities regulators yesterday, Mr. Gates owned 9,926,800 shares of the railway as of Oct. 24 that were purchased through his private investment firm, Cascade Investment LLC.

Neither Microsoft nor CN would comment on Mr. Gates's investment. The type of filing, a 13G, denotes that it is a passive investment and it did not include any transaction details.

At yesterday's closing price of $48 per share, his investment was worth $476.5-million. CN shares have appreciated 26% this year.

This is not the Microsoft chairman's first venture in the transport business. Cascade earlier reported an interest in Wisconsin Central Transportation Corp.

It also has a stake in Alaska Air Group Inc. and Newport News Shipbuilding Inc. His other holdings include real estate and silver.

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Checking the old e-mail at Mac's Convenience Stores

NETIQUETTE

Stop at the local convenience store, grab a coffee, a bag of your favourite junk food, and — check your e-mails. It's an idea that Mac's Convenience Stores is testing in partnership with the Burnaby Internet access firm, Info Touch Technologies. The companies are putting Internet kiosks into 15 Mac's stores across Western Canada, including an Edmonton outlet. Customers can go online by inserting coins — the machines take toonies — by swiping their credit cards or by using pre-paid Internet cash cards — $10 or $20 — they can buy in-store. The cost to surf, send or retrieve e-mails is 20¢ a minute, said Nancy Brown, Mac's marketing manager, pointing out that the machines come with the "really cool feature" of camera and phone. "So people can record a real time video, with audio, and send it as an e-mail. We think it'll be popular at Christmas time. Or any time." The computers also feature on-screen icons customized to the local area. Visitors to Edmonton, for example, could go online and check out the Edmonton Oilers or Eskimos schedules or other tourism-related sites while they're stopping for gas and a lottery ticket. The Internet kiosks are being installed in Mac's outlets that are already offering seating, "so people can come as a group and take turns." They also come with a registration feature — if surfers buy more time than they end up using in a single sit, they can register a password with the machine and come back later to use the rest. A subsidiary of convenience store giant Alimentation CoucheTard — which has 1,613 locations across Canada — Mac's has been keen to pursue the concept for three or four years, but couldn't find the right kind of machine or a technology that was sufficiently advanced. "When people are paying to use, you need to have high-speed access, and that was one thing we wanted to assure," said Ms. Brown. If the idea is a success, it will be rolled out market by market. "This is truly a test — we'll be able to learn what features the people use in the different market areas," Ms. Brown said. By the end of November, four Mac's outlets in Edmonton will be testing the kiosk, says Ms. Brown, who wouldn't reveal the locations for competitive reasons. She also wouldn't say how long the tests might take, the costs, or how many Mac's stores might eventually offer Internet access. *Edmonton Journal*

'We have taken measures to correct the situation'

JITEC

Continued from Page C1

"What happened on the stock market is one thing," he adds. "But the fundamentals are there and we have a good product and a very nice company. We are on track to where we are supposed to be."

Mr. Laliberté obviously is still trying to grapple with the hard reality of negative investor sentiment following news of an ongoing Quebec Securities Commission investigation into unusual trading of Jitec shares. Also, at the request of the Montreal Exchange, Jitec had to re-issue a "clarification" of two press releases that gave the impression that two major deals worth $145-million had been concluded, when, in fact, they were still in the works.

"It was an internal error among different departments," he says. "We have taken measures to correct the situation and we now have a committee that makes sure we are meeting disclosure requirements."

Mr. Laliberté, a one-time winner of a Quebec entrepreneur of the year competition, likes talking about how he built up his company. In 1996, it was a developer of computer games. He made it a reseller of used computers before working out Jitec's current model of providing small- and medium-size businesses with computer networking services from a central server instead of costly in-house software solutions.

But other than explaining Jitec's business model, he's reluctant to talk about where the company is going because of scrutiny the firm is facing.

"I have become a public personality, but now I will be careful with everything I do — where I go eat, I will be careful who I go out with," Mr. Laliberté says. "It's a bit of a drag, but it's part of the game."

As for claims by former employees and some observers that he has been overly fixated on Jitec's market price, Mr. Laliberté says he has stopped trading the company shares.

"I bought regularly during the first month," he says, specifying that much of the buying was for family members. "The prices were good and there were opportunities for me in the market. It's now been one month that I have not traded.

"I have a passion for the stock market that goes way back. I have the right to buy and the right to sell, and I bought more than I sold. It was a habit like smoking, but people around did not like it, so it is not in Jitec's interest."

He also dismissed criticism that he wastes money flying in a rented helicopter.

"I adore helicopters and I got a good deal for one. It was $850,000, a real bargain since normally they are worth $2-million to $3-million. Some people have Ferraris or Lamborghinis or motorcycles worth $200,000. I can land outside the office and I save an hour and a half of travel time a day when I use it. Door to door [from his home in Saint-Hilaire] it takes six minutes."

Short-sellers, who borrow stock and sell high in order to buy back low and make a profit, still dominate the market position of Jitec.

As of Oct. 15, according to ME figures, there were 798,300 shares, up from 617,000 on Sept. 30, which is triple the number a month earlier.

But Mr. Laliberté sticks to his defence of Jitec's value.

"You have to look at where we have been and where we are going. You have to look at the business plan. We hired 35 employees in four weeks after going public — no one talks about that. And we have gone from 20 employees last year to 50. We had to let some people go because they did not meet company objectives."

At least seven employees have left Jitec recently.

"What we want to do is concentrate on our business and profit from all the experience we have accumulated from what has gone on. With the technology we have, with a capitalization varying between $250-million and $600-million, I think it [Jitec's value is very reasonable]. Compare that with Research in Motion, worth $13-billion on the market with $2-billion of losses and Exfo, which makes revenue of $40-million and is worth $10 billion."

"Jitec's private placement was at $1.25. It's now worth more than $3. It's a good investment."

Mr. Laliberté's challenge is proving that point when its first results as a public firm for the five-month year ended Dec. 31 come out."

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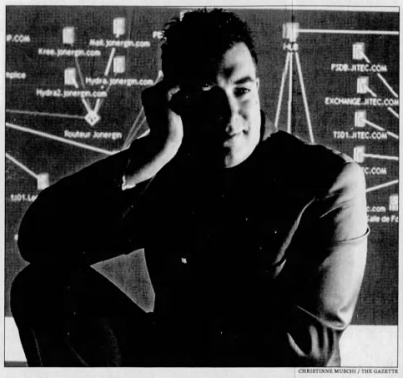

CHRISTINNE MUSCHI / THE GAZETTE

Benoit Laliberté, president of Jitec, in front of the control panel at Jitec in Montreal.

Boss of Clearly Canadian faces charges

BY DREW HASSELBACK

VANCOUVER • The chairman of **Clearly Canadian Beverage Corp.** is in hot water after being charged yesterday with insider trading by the British Columbia Securities Commission.

The commission alleges Doug Mason, who is also president and chief executive of Clearly Canadian, violated the B.C. Securities Act through trading he conducting using an offshore trust based in Jersey in the Channel Islands.

It says Mr. Mason did not file insider trading reports after 34 trades since 1994 involving Clearly Canadian shares. It has also cited him for failing to file insider trading reports for shares of Consolidated Venturex Holdings Ltd., SWI Steelworks Inc. (formerly ESC Envirotech Systems Corp.), Waterfront Capital Corp., and Columbia Yukon Explorations Inc.

The commission says Mr. Mason's trade in ESC Envirotech shares resulted in a change of control, but he failed to report the change.

The allegations were made in a Notice of Hearing served on Mr. Mason yesterday. A hearing has been set for Dec. 6.

Mr. Mason denied the allegations yesterday. He believes he has not contravened any Canadian law or B.C. securities legislation and said he will defend himself vigorously.

"I intend to dispel any suggestion that I have mis-conducted myself or acted in any manner contrary to law," he said.

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Pairing with a big bank unlikely, analysts say

INVESTORS

Continued from Page C1

Investors Group, which manages some $45-billion in assets, declined to comment.

The broad cross-section of rumours led a couple of analysts to suggest that if the company is in play, negotiations may be at an early stage.

One source said the most prevalent rumours include a sale to a larger foreign player; a sale to a Canadian bank; or Investors Group being the hunter rather than the prey.

Names that are being thrown around include European financial services companies ING Groep NV and AXA Financial Inc.

However, the insider noted the relatively weak euro may cause those firms to back off from an acquisition at this time.

One industry executive was adamant about an Investors Group deal. "Do I think it's going to happen? I do."

The executive noted the share price is moving much in the same way as Trimark Financial Corp.'s stock did prior to its sale to AIM Funds Management Inc in May. Trimark's stock climbed 50% in the days leading up to the announced deal.

Putting the recent run of Investors Group's stock into context, Amvescap Inc., the merged entity of Trimark and AIM, has risen similarly in the past few trading sessions. The stock has climbed 21% to Investors Group's 24%.

And while Investors Group made the strongest move yesterday, Mackenzie Financial Corp. and AGF Management Ltd. also moved higher.

The industry executive believes that a more likely scenario is for the firm to be bought by American Express Co. rather than a European group. He said that the connection is that Amex has American Express Financial Services in the United States, which used to be called IDS. Investors Group used to be IDS Canada.

Analysts said that a rumoured sale of the firm to one of the big banks is a less likely scenario. Names that have been brought up include Royal Bank and Canadian Imperial Bank of Commerce.

While the industry executive noted that a purchase of Investors Group would make a better fit for the banks than other Canadian mutual fund companies because of its strong distribution channels, analysts still feel that a pairing with a bank is unlikely. Many feel the banks have signalled they are not interested in a mutual fund company.

The third scenario that has been speculated upon is Investors Group purchasing the ailing Assante Corp. Assante's market value has been halved this year and it has a capitalization of about $50-million, putting it at an attractive discount for potential shoppers.

The insider said Assante has to make a purchase or put itself up for sale. He said that much as Global Strategy was forced to accept the latter option when it allowed itself to be bought by AGF for $438-million in August, Assante will likely follow a similar course.

Consolidation has swept through the mutual fund industry this year. Apart from the Trimark-AIM and Global Strategy-AGF deals, there have been several other deals, including Templeton Investment Management Ltd. acquiring Bissett & Associates Investment Management Ltd., and Legg Mason Inc. purchasing Perigee Inc.

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IN MEMORIAM

FRANK FARRELL
PRESIDENT & CEO
NCR CANADA LTD.

NCR regrets to announce the passing of Frank Farrell, President and CEO of NCR Canada Ltd.

During a successful 35-year career at NCR Corporation, Farrell held a number of sales and management positions at both the domestic and international level. Career highlights included his appointment in 1989 as NCR's Vice President, Retail Solutions Group, being named a company officer in 1994, and his 1997 appointment as NCR Canada's President and CEO.

He was a member of the Board of Directors and Board of Governors for the Information Technology Association of Canada (ITAC), served on the Board of Directors for the Founders Club, the National Yacht Club and the Youth Sciences Foundation of Canada. Farrell was also a member of the United Way of Greater Toronto's Technology Committee, and a strong supporter of Camp Trillium, a childhood cancer support centre in Ontario.

Farrell's NCR colleagues will sadly miss his keen business acumen, sales know-how and sense of humour. To commemorate his valuable contributions to the Canadian organization, a memorial tree-planting ceremony took place October 17, 2000 at NCR's Mississauga facility.

Farrell died of cancer in Boston, MA. He is survived by his wife, Patricia and his two children, Kristin and Scott.

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